GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1974
ANSWERED ON:05.08.2005
TAX EVASION BY MNCs
Singh Shri Prabhunath

Will the Minister of FINANCE be pleased to state:

(a) whether MNCs are maintaining two sets of account books-one correct one and the other manipulated one to evade taxes;

(b) if so, whether the Government pondered over the matter and taken any steps in the matter;

(c) if so, the details thereof; and

(d) the details of the MNCs which have been found maintaining two sets of account books and the amount of tax evasion involved therein?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) All companies, including multinational companies (MNCs), are statutorily required to maintain books of accounts and get the same audited by an accountant under section 44AB of the Income-tax Act, 1961. The Audit Report is required to be submitted along with the return of income.

Reports received from the field formations of the Income Tax Department do not indicate that MNCs are maintaining two sets of account books in order to evade tax.

(b) and (c) Correctness of the books of accounts is verified by the Income Tax Department at the time of scrutiny of returns. Where the Assessing Officer is not satisfied with the correctness of the accounts, appropriate action under the law is taken. Further, Section 277A of the Income Tax Act, 1961 provides for prosecution for falsification of books of accounts.

(d) Not applicable, in view of reply to part (a) above.